

**NON-CONFIDENTIAL VERSION**

**STATE OF CONNECTICUT**

**DEPARTMENT OF PUBLIC UTILITY CONTROL**

RE: DPUC DEVELOPMENT AND : DOCKET NO. 06-01-08PH02  
REVIEW OF STANDARD :  
SERVICE AND SUPPLIER OF :  
LAST RESORT SERVICE : SEPTEMBER 15, 2006

**THE CONNECTICUT LIGHT AND POWER COMPANY'S  
PROCUREMENT PROCESS AND RESULTS  
FOR STANDARD SERVICE:  
COMMENTS OF THE OFFICE OF CONSUMER COUNSEL:  
ADDENDUM RE: LAST RESORT SERVICE**

## I. INTRODUCTION

### Summary

1. CL&P's conduct of its procurement effort for Last Resort Service (LRS) was fully satisfactory. CL&P's performance met the DPUC's basic criteria.
2. The prices CL&P obtained for its LRS slices appear to reflect current conditions in the wholesale market, judging by OCC's target price and otherwise.
3. OCC, having reviewed the joint CL&P/Levitan recommendations on what LRS bids to accept, believes the DPUC should accept those recommendations as filed.

The Office of Consumer Counsel ("OCC") is a participant in this docket, which the Department of Public Utility Control ("DPUC" or "Department") established on its own initiative.

OCC herewith files its Addendum Re: Last Resort Service to our agency's Comments on CL&P's Procurement Process and Results, the report which OCC filed with the DPUC on September 13, 2006 with respect to CL&P's procurement of a portion of its Standard Service requirements for 2007.

This Addendum incorporates by reference the entire discussion found in the OCC Comments of September 13, 2006, as appropriate. Further, this Addendum uses some or all of the following phrases as defined terms:

- (a) Department of Public Utility Control ("Department" or "DPUC");
- (b) Office of Consumer Counsel ("OCC");
- (c) The Connecticut Light and Power Company ("CL&P");
- (d) The United Illuminating Company ("UI");
- (e) standard service under Connecticut General Statutes ("CGS") § 16-244c ("Standard Service" or "SS");
- (f) supplier of last resort service under CGS § 16-244e ("Last Resort Service" or "LRS");
- (g) Public Act 03-135, An Act Concerning Revisions to the Electric Restructuring Legislation (the "Revised Restructuring Act" or "Act");
- (h) DPUC's initial decision in this docket, June 21, 2006 (the "Initial SS/LRS Procurement Decision" or "Initial Decision");
- (i) The Department's independent consultant in this docket, Levitan & Associates, Inc. ("Levitan").

OCC herewith submits its **Addendum Re: Last Resort Service**, to our September 13, 2006 Comments on CL&P's Procurement Process and Results in this docket.

## **II. DISCUSSION**

### **A. CL&P's Conduct of its LRS Procurement was Fully Satisfactory.**

OCC, as the representative of electric ratepayers, participated closely in recent weeks in every aspect of the CL&P procurement process for Standard Service and Last Resort Service.

OCC herewith supplements the description of CL&P's conduct of its LRS procurement which our agency presented in the Comments filed in this docket on September 13, 2006.

The Initial SS/LRS Procurement Decision (pp. 3-4) provides that distribution company procurement of Last Resort Service is subject to a number of basic criteria, specifically:

- (a) The process must be fair and impartial to all participants.
- (b) The existing Code of Conduct (relating to distribution companies and generation affiliates) must be strictly observed.
- (c) The procurement effort must notify as broad a group of potential bidders as is practicable, through invitations issued in several available formats.
- (d) The procurement should cost-effectively promote price consistency/stability and minimization of revenue requirements. Criteria for evaluating competing bids must be well-defined, measurable and available to the suppliers in an open and fair manner.
- (e) Potential bidders should have clear opportunities for questions. Bidder access to relevant data should be complete, non-discriminatory and timely, so that the number of bidder responses is maximized.
- (f) The resulting contracts should not limit the pursuit, by multiple entities, of conservation or demand response initiatives.
- (g) Procurement participation should not be limited to bidders with their own fleet of power plants, but should include bidders that can offer supply by managing forward contracts and hedging instruments.

**Further Particulars on  
OCC's Procurement Participation**

In addition to participation in the joint SS-LRS activities described in the OCC's 9/13/06 report, OCC participated in the LRS procurement in the following ways.

1. The OCC's consultant prepared a new set of benchmark prices for the LRS procurement, updating for changes in market prices and reflecting the time period of the acquisition and the load shape of the LRS service.
2. On bid day, OCC staff and consultant were present at CL&P's offices from 10:30 am, well prior to the bid time of noon, until after the purchase decisions were made and the supplier(s) notified.
3. The OCC consultant performed independent price comparisons and identified preferred bids, prior to meeting with CL&P and Levitan staff.
4. OCC staff and consultant participated in the group discussion of the bids leading to CL&P's final selection of the suppliers.

**OCC's comprehensive participation in the CL&P procurement effort, as described in our September 13, 2006 Comments, and as supplemented just above, has given our agency a sound basis upon which to evaluate the extent to which that CL&P effort meets the standards set out in the applicable statute and in the Initial Decision.**

#### **CL&P's LRS Procurement Effort**

In addition to participation in the joint SS-LRS activities described in the OCC's 9/13/06 report, the LRS procurement included the following activities.

1. In the days and hours leading up to receipt of the final bids, CL&P maintained contact with the potential bidders, encouraged participation and updated Levitan and OCC on whether various suppliers were likely to submit bids.
2. When the bids were received, CL&P checked the bid forms for completeness and clarity, and requested bidder clarification as necessary.
3. The Company, Levitan and OCC separately analyzed the bids and presented initial conclusions to the entire working group.

4. The Company, Levitan and OCC discussed in some detail the basis for possible choices, and reached consensus on the preferred bids.

#### **OCC's Evaluation of the CL&P LRS Effort**

Summarizing the above, OCC believes that CL&P's conduct of its Last Resort Service procurement was **fully satisfactory**.

The DPUC's Initial Decision (p. 7) says that OCC should comment on "any prudence issues" arising during the procurement process. OCC did not observe any CL&P actions that, on their face, raise important prudence issues or appear to have directly resulted in excess costs to customers.

#### **B. The Prices CL&P Obtained Appear to Reflect Current Market Conditions**

Within the limits of our available resources, OCC undertook to independently assess the results of CL&P's current LRS procurement effort.

Confidential Appendix A describes in detail OCC's assessment of bidder interest and participation in the LRS procurement process. OCC believes that the level of bidder activity was adequate to support DPUC approval of the recommended contracts. That Appendix also shows the bid prices and describes the choice of bids.

As discussed in OCC's previously-filed Comments in this docket (i.e., the 8/30/06 filing on UI procurement, and the 9/13/06 filing on CL&P SS procurement), our agency

developed an analysis of expected prices for these distribution company procurements. The specific details of that analysis are presented in confidential exhibits filed in connection with those earlier OCC Comments. For the LRS procurement, OCC updated the analysis to reflect the differences between SS and LRS load shapes, as well as changes in market prices over the last two days. To avoid repetition, those specific details are not being re-filed at this time. We used this analysis to evaluate the final bids that CL&P received on the LRS price day.

Based on our use of these analytic tools, OCC concluded that the prices CL&P obtained for Last Resort Service, for the slices the company accepted on September 14, 2006, reflect current wholesale market conditions.

**C. The DPUC Should Accept the Joint CL&P/Levitan Recommendations**

At the close of price day, September 14, 2006, OCC was able to review and evaluate the Joint CL&P/Levitan Report being filed contemporaneously with these OCC Comments.

That report consists of two documents, each with attachments, as follows:

- Joint Recommendation of The Connecticut Light and Power Company and Levitan and Associates Inc., a document approximately 6 pages long, exclusive of attachments.
- Joint Affidavit of Ellen G. Cool and Richard L. Levitan, Levitan and Associates. Inc., a document approximately 10 pages long, exclusive of attachments.

OCC also has specifically reviewed the attachments to the aforementioned documents (some of which CL&P is filing as confidential).

The Initial Decision (on pp. 8-9) sets out the requirements for the Levitan-CL&P joint report. Those items are:

- (a) overview of all bids, plus a joint recommendation as to the preferred bidders;
- (b) projected system average rates resulting from the procurement;
- (c) redacted bids, with a motion for protected treatment;
- (d) natural gas and electric futures prices on the date of the procurement;
- (e) attestations from distribution company/Levitan that the procurement met the “basic criteria” set out in the Decision.
- (f) “conclusions and supporting reasoning” in any situations where discretion was exercised.
- (g) the overview mentioned above should be filed as a “compilation”, with appropriate measures to keep it out of FOIA's reach, and should not include the names of the preferred bidders.

OCC believes that CL&P and Levitan have complied adequately with these requirements of the Initial Decision.

Given the analysis presented in Sections II-A and II-B of these Comments, supra, OCC states the following. We believe that **the DPUC should accept the CL&P-Levitan recommendations, in full, as filed.**

### **III. CONCLUSION**

OCC respectfully urges the Department to take full account of our agency's views as expressed above, and looks forward to further participation in this important proceeding.

Respectfully submitted,

MARY J. HEALEY  
CONSUMER COUNSEL

By: \_\_\_\_\_  
Bruce C. Johnson  
Principal Attorney



### **CERTIFICATION**

I hereby certify that a copy of the foregoing has been mailed and/or hand-delivered to all known parties and intervenors of record this 15<sup>th</sup> of September 2006.

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Bruce C. Johnson  
Commissioner of the Superior Court